

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**SB 561 - HB 953**

February 27, 2009

**SUMMARY OF BILL:** Authorizes a deduction against a taxpayer's gross taxable income for the purpose of determining Hall Income Tax (HIT) liability equal to the amount of premiums paid by the taxpayer during any tax year for long-term health care insurance.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue - \$2,464,000/Recurring  
Increase State Expenditures - \$70,000/One-Time**

**Decrease Local Revenue - \$1,478,400/Recurring**

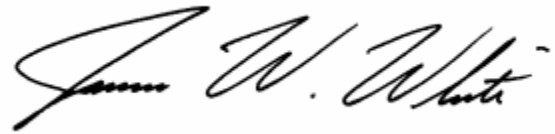
Assumptions:

- According to Fiscal Review Committee estimates submitted to the State Funding Board in December 2008, HIT collections are projected to be \$175,216,000 for FY08-09.
- HIT collections remain constant at \$175,216,000 in subsequent years.
- The HIT is levied against income derived from bond interest and stock dividend at a rate of six percent.
- The total taxable incomes from which the HIT is levied is estimated to be \$2,920,266,700 per year ( $\$175,216,000 / 6.0\% = \$2,920,266,667$ ).
- Based on information provided by the Department of Revenue, the deductions against taxable income authorized by this bill are expected to reduce total taxable incomes by approximately 2.25 percent.
- The reduction to total taxable incomes is estimated to be \$65,706,000 per year ( $\$2,920,266,700 \times 2.25\% = \$65,706,000$ ).
- The decrease to HIT collections is estimated to be \$3,942,400 per year ( $\$65,706,000 \times 6.0\% = \$3,942,360$ ).
- Current law distributes five-eighths (62.5 percent) of all HIT revenue to the state's general fund; the remaining three-eighths (37.5 percent) is apportioned to local government.

- The decrease to state revenues is estimated to be \$2,464,000 per year ( $\$3,942,400 \times 62.5\% = \$2,464,000$ ).
- The decrease to local government revenue is estimated to be \$1,478,400 per year ( $\$3,942,400 \times 37.5\% = \$1,478,400$ ).
- One-time state expenditures for software and computer modifications estimated to be \$70,000.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc